

**Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319**

FINAL

June 4, 2010

To ensure the most efficient use of State resources, the June 4, 2010, ITTC meeting was held via video conference pursuant to Iowa Code section 21.8. A video conference call also ensured more Commissioners were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present

Betsy Brandsgard, Chairperson (via video-conference)
Michael W. Mahaffey, Member (via video-conference)
Robert R. Hardman, Member (via video-conference)
Timothy L. Lapointe, Member (via video-conference)
Pamela Duffy, Member (on-site)

Absent:

David A. Vaudt, Ex-Officio Member

Iowa Communications Network Staff Present

Dave Lingren, Interim Executive Director
Joseph Cassis, Deputy Director
Kevin Heinzeroth, Chief Financial Officer
Deb Evans, Telecommunications Administrator
Phil Groner, Interim Service Delivery Administrator
Tami Fujinaka, Government Relations Manager
Alexis Slade, Administrative Assistant (Recorder)

Guests

Judy Krewson, Rural Iowa Independent Telephone Association (RIITA)

Call to Order

Commissioner Brandsgard called the meeting to order at 9:06 am. It was noted that a quorum of members was present for the meeting.

Approval of 3/18/10 and 4/26/10 Meeting Minutes

Commissioner Duffy moved for approval of the March 18, 2010 and April 26, 2010 meeting minutes as amended; Commissioner Hardman seconded the motion. A roll call vote was taken; minutes approved.

Commissioner Duffy – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Mahaffey – Yes
Commissioner Brandsgard – Yes

Old Business

Federal Economic Stimulus Bill Update – Joseph Cassis

ICN was approached by National Telecommunications and Information Administration (NTIA) regarding its Broadband Technology Opportunities Program (BTOP) Comprehensive Community Infrastructure (CCI) grant. On May 10, 2010 ICN was notified of the due diligence process which where the NTIA analyzes submissions and requests additional information relating to concepts, financial implications, network circuitry and confirms details that relate to the compliance aspects of the grant. For the last two weeks the ICN team has been working

diligently to respond to those questions. The ICN hopes the next stage will indicate whether or not an award is announced. If awarded, there will be a mandatory orientation meeting next month that the ICN team members must attend. The ICN team is trying to anticipate what might be needed by educating themselves about the compliance. The effort there is to understand the accountability and transparency aspects and for the public to understand this project. Emphasis is on public and private partnerships, identifying opportunities with the 150 plus Iowa telecommunication companies, as well as working with the Sac and Fox Tribe of the Mississippi in Meskwaki. Interim Executive Director (IED) Dave Lingren thanked Dave Swanson for being the project lead and thanked all the other members of the team.

Appointment of Executive Director Process – Commissioner Betsy Brandsgard

Update: Management Resource Group (MRG) out of Davenport has been hired to conduct ICNs search process. MRG has been gathering background information to better and thoroughly understand the ICN. Fujinaka, Mark Johnson and Commissioner Brandsgard had a conference call with MRG to provide some background information. The group discussed the kinds of qualities and qualifications the ICN hopes to see in a permanent executive director. MRG sent out a questionnaire to the Commission and ICN staff asking for the kinds of qualities and characteristics they're most interested in seeing in an executive director. The information has been placed into a "candidate profile", and it is MRGs responsibility to go out and source candidates for ICN. MRG is going to search in a variety of ways; first MRG will post an announcement within the state government websites, journals, and anything else the state uses to inform state employees of this open position. MRG will recruit state employees who might be interested, whether in Iowa or outside of Iowa, for this position. MRG will also use their professional networks. MRGs intent is to bring back a number of resumes to the search committee, so the search committee can begin the first round of interviewing these people in person. Fujinaka and Commissioner Brandsgard have been working to identify those who will be invited to serve on the search committee. The last time ICN hired for this position the search committee consisted of individuals from the private sector, the user community as well as members of the Commission. Commissioners Hardman and Lapointe have volunteered with Commissioner Brandsgard to serve on the search committee on behalf of the commission. The search committee's role is to bring finalists to the Commission, and the Commission will make the selection of the executive director. MRG will post the position, and send out the job and position description to the Commission. Fujinaka has been working with the Department of Administrative Services (DAS) and will post the information regarding the job description on the Human Resource Enterprise (HRE) website.

Discussion

Q - If the Commission is approached by a potential candidate or identifies a candidate, who is the proper contact? Is it someone at the ICN or is it with MRG? What's the next step if people inquire about how they get more information?

A - ICN will provide to MRG a contact.

New Business

Organization Changes – Dave Lingren, Interim Executive Director (IED)

One of the parts of the consolidation bill that went through Senate File (SF) 2088 involved a span of control segments. SF 2088 contains a section that made changes to the current span of control from 11 employees per management employee to a 14 to 1 ratio starting July 1, 2010 of this year. As of July 1, 2010, next year it will be a 15 to 1 ratio. The ICN had 10.7 employees per manager, which was close to the 11 to 1 ratio, so the Department of Management (DOM) allowed ICN to remain as is. Not counting the Executive Director position we had seven management employees. In order to comply with the 14 to 1 ratio ICN had to reduce two positions, which also got us to a 15 to 1 ratio because of the small nature of ICNs organization. IED Lingren looked to see where ICN could be strengthened while consolidating some of our efforts, and decided to combine the Operations and Engineering departments due to their natural synergies. IED Lingren appointed Dave

Marley as head of the Network Operations and Engineering group. Victoria Wallis moved into a non-managerial position that is very critical to the ICN. Wallis contributed a lot of creativity and thinking to this position and offered to move into the position of network planner. ICN has never had a dedicated network planning function.

Marley needs lead workers within that combined operations and engineering group and it wouldn't be fair to the structure to have one classified as a supervisor and the rest as lead workers. We decided to move Victoria Harris from a supervisory position into a lead worker role. This left ICN with three divisions: Network Operations and Engineering, Service Delivery and Finance. In the past ICN only had one division, which was Finance and three bureaus. Finance needs to have an equal level division administrator and Kevin Heinzeroth's title is now the Office of the Chief Financial Officer and he's responsible for contracting, legal relationships with the Attorney General (AG) office, and our relationship with Human Resources (HRE) and Department of Human Services (DHS). Heinzeroth is approving all the Authorization for Expenditures and helping manage the bigger picture of how ICN goes financially. Deb Evans was promoted to Division Telecommunications Administrator for the Finance Division. She manages the billing, payables and audit teams as well as the warehouse personnel.

Discussion:

Q - Are there sections in the SF 2088 that were harder to accomplish?

A - For ICN as an organization it was the IT consolidation. Historically the ICN always had its own authority to make purchases. ICN is a technical enterprise and provides phone service for the Capitol Complex, and SF 2088 has complicated some of that. Now there are questions of whether or not the Department of Administrative Services (DAS) should be involved with our ability to purchase items when they don't have the technological understanding. IED Lingren had several meetings with DAS regarding consolidation of cell phones and has been invited to the Department of Management's office to further that discussion which will also include staff from the Governor's Office and the Consultant hired to find savings in the State budget. The most challenging issue is who manages telecommunications on this Capitol Complex, especially cell phones, ICN or DAS.

Action on Administrative Rules Amendment – Dave Lingren/ Tami Fujinaka

Fujinaka stated that she sent the proposed Administrative Rule Amendment to the Commission prior to the meeting. If the commission votes to move that these changes be noticed by the administrative rules personnel, the earliest these rules could be in acted would be on November 24, 2010. Fujinaka proposed there would be a hearing held on July 8, 2010, for those who would have questions or suggest changes to the rules.

Discussion:

Q - In terms of the actual functioning and roles, are there delays since the amendment won't be approved until November, or is ICN proceeding with the organizational structure as outlined?

A - ICN will function with the staff managing as discussed earlier.

Commissioner Lapointe moved to approve the posting of the administrative rules amendment; Commissioner Duffy seconded the motion. A roll call vote was taken; Motion approved to posting of proposed changes.

Commissioner Duffy – Yes

Commissioner Hardman – Yes

Commissioner Lapointe – Yes

Commissioner Mahaffey – Yes

Commissioner Brandsgard – Yes

Review of FY 10 ICN Budget to Actual Financials – Kevin Heinzeroth

Following is the Budget to Actual report for April. The net income was \$138,143 before equipment purchases of \$144,916 for a net deficit of \$600,773. \$112,398 of the equipment purchases were made with appropriated funds making the actual net a positive of \$105,624 from operations.

VIDEO SERVICES: Billings for video services through April 2010 are behind billings through April 2009 by \$39,216 and are 1.89 percent ahead of the April year-to-date budgeted amount. The ICN produced 151,318 video hours through April 2010, down from the 188,492 hours produced through April 2009. Higher education and K-12 comprised the majority of the video usage.

VOICE SERVICES: Fiscal Year (FY) 2010 year-to-date Voice Service revenues through April 2010 is behind April 2009 year-to-date revenues by \$517,762 and are .84% ahead of the 2010 year-to-date budget figures. The largest sources of revenue are toll free usage, local access, and inmate calling.

DATA SERVICES: Gross revenues from data services through April 2010 are ahead of April 2009 year-to-date revenues by \$323,709 and are in line with FY 2010 year-to-date budgeted figures.

INSTALLATION REVENUES: Year-to-date Installation revenues through April 2010 are behind April 2009 year-to-date by \$341,063 and are behind of the April year-to-date budget by 16.08 percent. Installation revenues fluctuate greatly depending upon current spending abilities of our customers. Budgeting is based upon prior year activity and can vary widely from actual.

INDIRECT and G & A EXPENSES: Year-to-date Indirect expenses for April 2010 are below budget projections for April 2010 year-to-date by 9.67 percent and are \$89,762 above April 2009 year-to-date expenditures. Year-to-date General and Administrative expenses for April 2010 are below April 2009 year-to-date by \$296,943 and 15.50 percent below April year-to-date budget projections.

EQUIPMENT and EQUIPMENT APPROPRIATION: For April the ICN paid \$115,152 for equipment on approved project expenditures. Hubill Power Systems at \$112,398 was the major vendor and was purchased using appropriated funds. In addition \$29,864 was paid to various vendors for inventory replenishment and approved minor equipment purchases.

Additional Information:

The video revenues have remained the same with that of prior years, but are still performing better than what was budgeted. Even with the softening of revenue, the ICN will still finish the year positively. ICN is currently inputting the 2011 budget. With soft voice revenue and the installation revenues ICN made slight adjustments to the 2011 budget, but it's basically the same budget approved by the Commission last September.

Total service revenues through the first nine months of FY 2010 were in line with budgeted amounts only trailing by .23 percent. Expenditures directly related to services are also in line with the budget, exceeding budgeted amount by 2.14 percent. Total revenues and expenses related to services are reasonable compared to budgeted amounts, cash generated from operations has been generated from expected service margins with an overall increase gained from indirect, general and administrative costs that have been held below budget by decreased outside plant work due to the extended winter, from payroll costs held down by not filling vacant positions and several retirements that have occurred this fiscal year. This is consistent with previous month's activities.

Discussion:

Q - When will the final adjustments to the 2011 budget be made?

A - Those were completed in April when ICN reviewed its operations for the current year. As long as what ICN proved during the fall is still materially the then ICN is going to continue on with the changes presented to Commissioner Hardman and Commissioner Brandsgard. It doesn't require action by the full commission as long as ICN is not changing wholesale what

was approved in the fall. ICN is currently entering that new budget into the state system which needs to be completed by June 21, 2010.

Last fall the governor requested a 10 percent budget reduction across all agencies, the ICN voluntarily participated. ICN cut the budget by 10 percent and took those savings from that cut for economic recovery. ICN also reduced rates to its customers. One of the biggest reductions was in the long distance service. Long distance reduction was in excess of 25 percent per minute cost, and ICN reduced the rate on the instruments. At the same time the Board of Regents filed for a waiver for 2-3 years, and finally decided to act on that waiver. The Board of Regents has been moving long distance services away from the ICN. DHS is also moving long distance to its own system. The Department of Corrections (DOC) feels they're not making money on local calls because of what they charge to the inmates. ICN is looking at helping DOC deal with that issue, so there will probably be some additional softening of the revenue in the voice area.

Legislative Update – Joseph Cassis, Deputy Director

SF 2353, the language ICN pursued was approved. It was the last bill signed by the governor. As IED Lingren reported in March, the language had to be modified and it focused the technology agnostic viewpoint which was accepted. Now DS3 is not the constraint that it was in the past and we can pursue additional technologies in the best interest of those institutions.

In April the Iowa Broadband Deployment Governance Board (IBDGB) was appropriated \$25 million during the 2010 Legislative session, which was to augment or attract federal stimulus moneys as matching funds for those projects within Iowa. Unfortunately the federal government did not move fast enough to identify those federal grants and the money was not used. During the 2010 session, some of the legislators felt that because the money was relating to I-Jobs and intended to generate jobs for Iowa within that time period, they thought it was in the best interest to remove that \$25 million and apply it to other areas relating to the budget constraints Iowa was encountering. As a result, IBDGB does not have any type of matching funds to allocate to potential projects. Many projects that were up for consideration were withdrawn.

State Infrastructure Strategy - Joseph Cassis, Deputy Director

The Infrastructure Planning Taskforce, relating to the telecommunications effort and the IBDGB, created a plan that's due to the federal government by February 2011. The plan is based on the Iowa Broadband and will be presented in the upcoming IBDGB meeting to be held on June 18, 2010. Connected Nation/Connect Iowa was the vendor for the Iowa Utilities Board for ICN. The IBDGB is to plan out an increase in the penetration and the adoption of broadband. The federal government announced a \$16 million effort to increase awareness and the importance of broadband because many citizens do not recognize the importance of broadband in relation to the effects of global compliance, safety, and opportunities. The other aspect of the infrastructure planning for the state was reflected in a report by the Infrastructure Task Force. The plan was sent to the governor's office in the beginning of May. A brochure was developed on behalf of the Infrastructure Task Force to emphasize the importance of communicating how infrastructures should be looked upon by citizens of Iowa in relation to the integration of these infrastructures, such as transportation, engineering, telecommunications, natural resources and vertical infrastructure.

Rural Health Initiative Update - Dave Lingren, Interim Executive Director

All of the core sites have been installed. Some of the hospitals were to be turned on by May 31, 2010, but due to system operation coordination issues between the equipment and the Network connection of these hospitals have been delayed. The Iowa Hospital Association's (IHA) steering committee selected Alcatel Lucent (A-L) as their equipment provider. The ICNs Operation team is having daily meetings with A-L. IED Lingren anticipates ICN will start turning hospitals on in the latter part of June due to that delay.

Discussion:

Q - Is there a communications plan within the hospital association profession locally, regionally, nationally, or within the telecommunications area around this progress? Are there successes IHA intend to achieve or initiatives intended to use this technology for?

A - That is within the scope of IHA. ICNs involvement is solely to help IHA with the programs and show how the technology will work. IHA has a good plan put together. The IHA has begun a campaign at Iowa Public Television (IPTV) to enhance their image in relation to the hospitals throughout Iowa.

Q - What do you see as ICNs future role with IHA?

A - When the Federal Communication Commission announced the grant opportunity 4-5 years ago IHA had a vision of connecting all the hospitals in Iowa. IHA decided the best way was to build infrastructure out to those hospitals and connect to a backbone network. IHA selected the ICN, not only as the network infrastructure but also as the maintenance provider for the fiber connections owned by the hospital, and for the switching equipment the hospital owns. What gets lost in all of this is that ICN did not receive any grant money, because this is not ICNs grant nor ICN submit an application. In IHAs application, IHA assigned the initial build out management to the ICN as a technical expert, and then as the maintenance provider ongoing for a period of time. That period of time initially was thought to be three years. At that point IHA could release an RFP and have a third party provide that maintenance functionality for that equipment.

Action on Certified User Waiver Requests - Phil Groner

ICN has one waiver request for voice service.

1. University of Dubuque

ICN staff has reviewed this waiver and recommended approval.

ICN has one decertification request.

1. Maharishi University

ICN staff will discuss this in the July meeting.

ICN has two Internet waiver requests.

1. Drake University

Drake University previously made a waiver petition to the Commission for Internet based on the contract they have with their current Internet Service Provider (ISP) expiring in May 2010. The Commission approved this waiver and when ICN notified Drake University they informed ICN that an error on the waiver petition was made, and that the current contract did not expire in May 2010 but in May 2011. Drake University has re-petitioned their waiver for Internet service for May of 2011.

2. Luther College

ICN staff has reviewed these waivers and recommended approval.

Commissioner Hardman moved for approval of ICN's waiver requests; Commissioner Mahaffey seconded the motion. A roll call vote was taken; Motion approved for waiver requests.

Commissioner Duffy – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Mahaffey – Yes
Commissioner Brandsgard – Yes

Action on PMV Services

Commissioner Duffy moved that the ITTC go into closed session for the purpose of discussing prospective non-video rates. The ICN and ITTC consider prospective non-video rates to be trade secrets. Under Iowa Code 22.7(3), trade secrets are confidential records. Iowa Code 21.5(1)(a) permits a government body to go into closed session to review or discuss confidential records. Commissioner Hardman seconded the motion. A roll call vote was taken and passed, as follows:

Commissioner Duffy – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Mahaffey – Yes
Commissioner Brandsgard – Yes

Commissioner Mahaffey moved adjournment of the open session. Commissioner Duffy seconded the motion. A roll call vote was taken and passed, as follows:

Commissioner Duffy – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Mahaffey – Yes
Commissioner Brandsgard – Yes

NOTE: 1 guest left the open meeting.

The open meeting adjourned at 10:00 am.

Following the conclusion of the closed session, guests were invited to rejoin the meeting. The Chair reconvened the public meeting at 10:11 am and opened the floor to a motion.

NOTE: No guests re-entered the open meeting.

Commissioner Brandsgard called the meeting to order at 10:11 am. It was noted that a quorum of members was present for the meeting.

Commissioner Lapointe moved to accept the rates as presented for PMV services; Commissioner Duffy seconded the motion. A roll call vote was taken; Motion approved unanimously.

Commissioner Duffy – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Mahaffey – Yes
Commissioner Brandsgard – Yes

Other Business

July Meeting – Commissioner Betsy Brandsgard

In the past the Commission typically had at least one meeting in person per year. Brandsgard is not going to schedule that meeting at this point in order to reserve that option for a later date when the Commission is looking at selecting a permanent executive director. The Commission will not have a telephonic meeting on June 16, 2010 as was scheduled given the proximity of today's meeting.

Captain Andy Ryan – Joseph Cassis

Captain Andy Ryan is being deployed to Afghanistan. He's been with the ICN since August 2001. He is being deployed through the Iowa National Guard Unit and this will be his 3rd deployment.

The Commission would like to wish Captain Ryan God Speed.

Adjournment

Mahaffey motioned that the meeting be adjourned; Duffy seconded the motion.
There being no further business, the ITTC Commission meeting adjourned at 10:17 am.

ATTESTED TO:



Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission